

Message Text

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ACTION ARA-20

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FM AMEMBASSY CARACAS

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TAGS: EGEN, EFIN, VE, US

SUBJECT: DRAFT VENEZUELAN INSURANCE LEGILATION

REF: A) STATE 165827 B) CARACAS 6122

1. ECONOMIC/COMMERCIAL COUNSELOR, ON EVE OF DIRECT TRANSFER, DISCUSSED

PROBLEM OF INSURANCE COMPANIES AND INSURANCE BROKERS IN PRELIMINARY FASHION WITH FAUSTO ANZALDUA, PRESIDENT OF C.A. LEBRAN (INSURANCE BROKERS) AND AMERICAN CITIZEN OF SOME 20 YEARS RESIDENCE IN VENEZUELA.

2. DRAFT LEGISLATION WITHIN MINISTRY OF COMMERCE (FOMENTO) OF WHICH BUSINESS COMMUNITY AND EMBASSY HAD KNOWLEDGE CONFORMS WITH DESCRIPTION IN PARA 2 REFTTEL.

3. AMBASSADOR HAS ALREADY RAISED MATTER WITH MINISTER OF PLANNING AND COORDINATION GUMERSINDO RODRIGUEZ (REF B), WHO SAID THAT NO DECISION HAD YET BEEN REACHED.

4. DRAFT LEGISLATION'S STATUS IS THAT IT IS DRAFT WITHIN MINISTRY OF COMMERCE, WHICH WAS GIEN TO RELEVANT BUSINESS ASSOCIATIONS FOR THEIR LIMITED OFFICIAL USE

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COMMENT. AMERICAN EMBASSY COMMENT WAS NOT SOLICITED, BUT WAS

VOLUNTEERED PER PARA 3 ABOVE. VIEW OF EMBASSY AND OF AMERICAN BUSINESS

COMMUNITY IS THAT COMMENT ON SUCH DRAFTS IS MOST EFFECTIVE IF IT COMES

FROM FUNCTIONAL BUSINESS ASSOCIATIONS INVOLVED RATHER THAN FROM FOREIGN

SECTOR. ANZALDUA REPORTS, HOWEVER, THAT ASSOCIATIONS HAVE NOT SUPPORTED INTERESTS OF U.S. FIRMS INVOLVED. CHAMBER OF INSURANCE COMPANIES LET DEADLINE FOR COMMENT PASS WITHOUT ACTION. ASSOCIATION OF INSURANCE BROKERS DID COMMENT BUT GAVE ONLY LUKEWARM SUPPORT FOR U.S. FIRMS.

5. ANZALDUA SAYS THAT DRAFT LEGISLATION IS REVIVAL OF RESTRICTIVE PLANS REPEATEDLY CONSIDERED WITHIN GOVERNMENT IN PAST. HE BELIEVES DRAFT WILL BE WATERED DOWN, PARTICULARLY REQUIREMENT OF 100 PERCENT OWNERSHIP

OF BROKERAGE FIRMS BY VENEZUELANS. STRONG LEGISLATION IN DIRECTION OF VENEZUELANIZATION, HOWEVER, IS HIGHLY LIKELY.

6. IN ANZALDUA'S OPION, THERE ARE TWO WAYS AROUND SUCH LEGISLATION. IN

SOME CASES, U.S. FIRMS MAY RESUME OR ESTABLISH RELATIONSHIPS WITH VENEZUELAN FIRMS. IN OTHERS, THE U.S. PRINCIPAL MAY CHOOSE TO SET HIS COMPANY UP AS PURELY VENEZUELAN FIRM AND ASSOCIATE HIMSELF WITH IT

TO HANDLE RELATIONS WITH FOREIGN FIRMS, WHICH IS NOT PROHIBITED UNDER THIS DRAFT LEGISLATION.

7. DO NOT UNDERSTAND PRECISELY QUESTION ABOUT FINANCIAL INTERMEDIARY ROLE IN ULTIMATE SENTENCE REF A. SOME FIRMS DO HAVE INTERESTS IN VENEZUELAN

FIRMS AND THEY DO OF COURSE SHARE IN RISKS.

8. AMBASSADOR INTENDS TO RAISE THIS QUESTION IN HIS MEETING WITH AMERICAN BUSINESSMEN AUGUST 7. ON BASIS OF THIS DISCUSSION, AND OF FURTHER TALKS WITH OTHER U.S. INSURANCE OFFICIALS, EMBASSY WILL MAKE RECOMMENDATIONS FOR ACTION.
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